USDA Humanitarian Food Aid Shipments to Western Russia:

Transportation Overview

James A. Caron
Transportation and Marketing Division
USDA, Agricultural Marketing Service
August 1992

USDA Humanitarian Food Aid Shipments to Western Russia:

Transportation Overview

Executive Summary

In early 1992, the U.S. Department of Agriculture signed Section 416 and Food for Progress Agreements with 10 private volunteer organizations (PVOs) worth nearly $148 million to cover the purchase of humanitarian aid commodities and their shipment to the newly independent republics which were formerly part of the Soviet Union. This report focuses primarily on the transportation of humanitarian aid to Western Russia and Byelorussia.

Approximately 52,400 tons of flour (52%), rice (20%), powdered milk (13%), vegetable oil (10%), beans, lentils, bulgur (4-6% each), butter oil, peas, evaporated milk, and infant formula (1-2% each) are currently being distributed to Western Russian and Byelorussian cities.

This report is intended to (1) summarize the program for those persons interested in how the transportation options selected by the private volunteer organizations worked; (2) provide a perspective for U.S. government agencies which may be responsible for future humanitarian food aid shipments to Western Russia; and (3) report how the food aid program stimulated greater private sector activity.

If a humanitarian food aid program is again offered to the Russian Federation or other former Soviet republics the following are suggested:

- A food assistance program in which the private sector takes the responsibility for food distribution works very well and encourages the Russian market-oriented distribution system. It should be the preferred method again.

- The system of using through bills of lading should again be used. The ocean carrier is made responsible for delivering the cargo to a final destination (warehouse door). The carrier is then encouraged to plan its logistics more comprehensively. This practice minimizes congestion at ports, helps reduce costs, and decreases instances of claim disputes.

- Carriers should be allowed to use the most cost-effective ports (no ports should be specified in shipping tenders) and carriers, rather than PVOs, could select the best warehousing to enable less expensive delivery.

- A reliable system to communicate transportation information (container arrival dates, commodity tonnages, and container reference numbers) is absolutely essential and should be established as soon as PVOs and carriers are identified for the program.

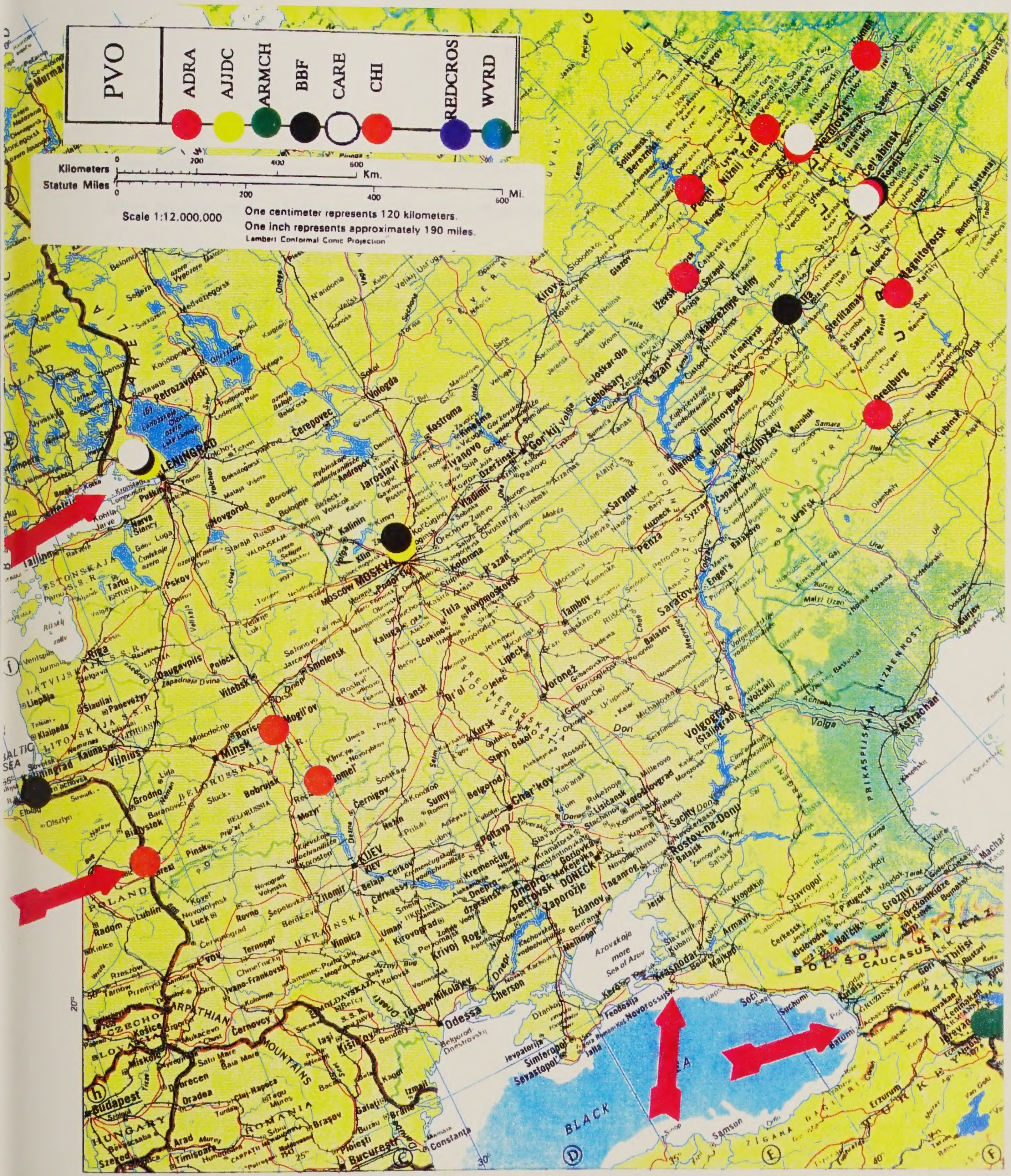
- Greater use can be made of the Baltic ports Riga and Klaipeda if St. Petersburg becomes too costly or too congested.

- An assessment of port operations at St. Petersburg should be undertaken by USDA to determine the reasons for congestion and make recommendations to improve its service. Improvements would facilitate both commercial and humanitarian shipments.

- During the initial stages of setting up the humanitarian aid program with the Russian government, there is a need to address the issue of health certification and obtain an agreement on the specific type of certifications that will be required.

- Use of the military for labor and transport should be granted to PVOs in the agreements. It can be specified that the military will not be in control of the disposition of the commodity at any time.

USDA Humanitarian Food Distribution Map for the former Soviet Union



Index

Introduction

Currently, about 25 cities in the Russian Federation, Kazakhstan, Turkmenistan, Byelorussia, and Armenia are receiving 108,100 metric tons of wheat flour, rice, powdered milk, pulses, vegetable oil, butter oil, bulgur, butter, infant formula, and evaporated milk. The selection of commodities was a jointly determined by PVOs and the USDA based on recipient demand and commodity availability.

The following is a list of the private volunteer organizations involved, amount of food to be distributed, and their primary geographic area of responsibility:

- **Adventist Development Relief Agency (ADRA)** - 12,300 metric tons for the Ural Mountain region of the Russian Federation.
- **American Jewish Joint Distribution Committee (AJJDC)** - 6,280 metric tons for St. Petersburg and Moscow.
- **American Red Cross** - 6,100 metric tons for Turkmenistan.
- **Diocese of the Armenian Church in America** - 10,600 metric tons for Armenia.
- **Brother's Brother Foundation (BBF)** - 11,700 metric tons for the Ural Mountains, Moscow, and St. Petersburg.
- **Catholic Relief Services (CRS)** - 30,000 metric tons for the far eastern region of the Russian Federation.
- **Cooperative for American Relief Everywhere (CARE)** - 18,500 metric tons for the Ural Mountains.
- **CitiHope International** - 3,550 metric tons for Byelorussia.
- **World Vision Relief and Development** - 6,000 metric tons for Armenia.
- **Mercy Corps International** - 3,000 metric tons for Kazakhstan.

This report focuses primarily on the transportation of humanitarian aid within the western region of the Russian Federation and Byelorussia. This area is receiving 52,400 tons of food aid, nearly half of the total amount being distributed to all areas.

Different from most reports, it was written during the distribution program rather than after. Though at the time it was written, nearly three quarters of the shipments had passed through Russian ports and almost half had reached destination warehouses and were being distributed.

It is intended to (1) summarize the program for those persons interested in how the transportation options selected by the private volunteer organizations worked; (2) provide a perspective for U.S. government agencies which may be responsible for future humanitarian food aid shipments to Western Russia, and (3) report how the food aid stimulated Russian private sector activity.

PVO Distribution Methods for Western Russia and Byelorussia

Approximately 52,400 tons of flour (52%), rice (20%), powdered milk (13%), vegetable oil (10%), beans, lentils, bulgur (4-6% each), butter oil, peas, evaporated milk, and infant formula (1-2% each) are currently being distributed to Western Russian and Byelorussian cities.

Of the private volunteer organizations involved:

- **Adventist Development Relief Agency (ADRA)** is distributing 12,300 metric tons (23% of the 52,400 ton total) to 8 cities in the Ural Mountain region of the Russian Federation;
- **American Jewish Joint Distribution Committee (AJJDC)** is distributing 6,280 metric tons (12%) in St. Petersburg and Moscow;
- **Brother's Brother Foundation (BBF)** is distributing 11,700 metric tons (23%) in two cities in the Ural Mountains, and to Kaliningrad, Moscow, and St. Petersburg;
- **Cooperative for American Relief Everywhere (CARE)** is distributing 18,500 metric tons (35%) to two cities in the Ural Mountains; and
- **CitiHope International** is distributing 3,550 metric tons (7%) to three city areas in Byelorussia.

Cargoes from the United States are being delivered to five port areas. St. Petersburg, Russia will receive 61 percent of all cargoes, Bremerhaven, Germany will receive 30 percent, Riga, Latvia will receive 6 percent, and Klaipeda, Lithuania will receive 2 percent and Antwerp, Belgium will receive 1 percent.

Shipments arrive in both containers and breakbulk. Breakbulk cargoes are generally transported by truck, and containerized cargoes are either railed to destinations on flatcars in block trains or reloaded into trucks for final delivery. Rail deliveries amount to 46 percent of the total, truck deliveries 40 percent, and directly from vessel to city (St. Petersburg) 14 percent. These percentages apply only to deliveries to the initial destination warehouse. Trucks are used to transship commodities to other local warehouses and for distribution to recipients. About 2,600 deliveries to destination warehouses are scheduled overall.

As of June 6, 1992, 72 percent of all cargoes had been delivered to ports and 39 percent had reached destination city warehouses.

Adventist Development Relief Agency (ADRA)

ADRA is responsible for delivering 12,300 tons of commodities to eight Ural cities: Magnitogorsk, Chelyabinsk. Nizhney Tagil, Izhevsk, Orenburg, Perm, Ekaterinburg, and Tyumen. Commodities consist of rice (47%), lentils (23%), bulgur (22%), powdered milk (13%), and vegetable oil (7%).

Cargoes were shipped from U.S. ports to Bremen, Germany (just upriver from the port of Bremerhaven) in breakbulk. The pelletized loads were stored temporarily in warehouses, sorted by destination, and then loaded onto trucks for shipment to the Ural destinations. The loads arrived in two ships, one on April 15th and the other on May 5th. The first shipment was loaded into 265 trucks and the second shipment into 260 trucks. In each case, truck shipments began about a week after the vessel started unloading. Each truck carried an average of 23 tons.

Lykes Lines, a U.S. carrier, delivered the cargo to Bremen but was responsible for the cargo reaching the destination cities due to the shipments being sent on a through bill of lading. Kuhne and Nagle was subcontracted as the freight forwarder for the inland movement and they in turn made arrangements with truck companies for the overland move.

By June 6th, 52 days after arrival, 207 of the 265 trucks had arrived at destination cities (a completion factor of 78 percent). Also on that date, 40 trucks or 15 percent of the second shipment had arrived.

Trucks travel over three routes, all passing through Moscow enroute to Ural cities. The main route, taken by about 65 percent of the trucks, was Bremen-Brest-Minsk-Moscow, which is fairly good road and normally presents few difficulties. An arrangement has been made with the Russian Ministry of Foreign Relations to avoid the normal 2-3 day wait currently being experienced at the Brest border point. About 70 percent of the trucks used are Russian-owned with the remainder being German- or Polish-owned.

The second route is from Bremen to the port of Gohren on Rugen Island in Germany. From there, only the trailers are loaded aboard a vessel and ferried to the Lithuanian port of Klaipeda. From Klaipeda, Russian trucks move the trailers through Minsk to Moscow. About 20 percent of the trucks are using this route. It was selected because it is a commonly used route and it is less costly than the other routes.

The third route is through Hungary, crossing the Ukraine border at Chop and proceeding through Kiev to Moscow. Because Hungarian trucks are used for this movement they must travel through Hungary before entering Russia according to international trucking agreements. About 15 percent of the trucks are using this route.

From Moscow, only the trucks headed for Izhevsk take a northerly route through Kazan. All others take a more southerly route through Penza, the Volga flood plain, Ufa and on to Chelyabinsk. From there, trucks split off for Ekaterinburg, Tyumen, Niznih Tagil, and Perm. Trucks headed for Orenburg, to the south, fork off earlier just before Ufa.

Kuhne and Nagel worked closely with the Ministries of Foreign Relations, Security, and Transport to ensure security and border clearance. A system of checkpoints was set up along the route to register the vehicles' passage and extra police were assigned to the route to provide assistance and security for the vehicles.

All roads selected for the routing were considered passable at the time, but some flooding of the Volga River at Kujbysev was reported. Rain and thawing roads hindered deliveries. Drivers were held at checkpoints if roads were too wet or if there was high water. Usually conditions improved in a day or two but some trucks were held for much longer periods.

Optimally, the trip from Bremen to Chelyabinsk through Brest takes about 9 days. Most trucks traveled the route in about 17 days, while others took over 41 days. The most difficult city to reach was Perm, with most trucks taking about a month to arrive. The easiest destination was Izhvesk, because of its proximity and better roads, with most trucks making the trip in 10 days, and one taking as few as 5 days.

The distance from Moscow to Chelyabinsk is 1916 kilometers (1,191 miles), Moscow to Izhvest is 1205 kilometers (749 miles), and Moscow to Perm is 1526 kilometers (1570 miles). The rate charged for all deliveries averaged $476 per metric ton.

Security checkpoint in Moscow for ADRA trucks.

American Jewish Joint Distribution Committee (AJJDC)

AJJDC is responsible for delivering 6,280 tons of commodities to St. Petersburg and Moscow. Commodities consist of vegetable oil (30%), beans (22%), powdered milk (15%), rice (15%), evaporated milk (10%) and peas (8%).

AJJDC received the first USDA shipment of humanitarian aid into Russia, which arrived on April 8th. The cargo was shipped in breakbulk form and consisted of all the commodities destined for AJJDC, except for the evaporated milk which arrived much later. The ship was unloaded in approximately 5 days and taken directly to St. Petersburg warehouses to be repackaged into individual "family packs" for distribution in the Moscow and St. Petersburg areas.

The second shipment of 644 tons of evaporated milk arrived May 21 in Antwerp and all cargoes were dispatched by May 27th. All 35 trucks in this shipment had arrived in St. Petersburg by June 5 and 40 percent had been delivered to recipients by that date.

The rate to St. Petersburg for the first shipment was $250 per ton, delivered to the warehouse. The shipment of evaporated milk through Antwerp, including trucking to St. Petersburg, cost $195 per ton.

Brother's Brother Foundation (BBF)

Brother's Brother Foundation works mainly through the Russian Orthodox Church to distribute commodities. Although the carrier, Sea-Land, is responsible for delivering the commodity to final destination warehouses, the Church is responsible for providing initial warehousing and distribution to recipients. As with other PVOs, the Church provided commodities to the needy regardless of their religious affiliation.

Overall, Brother's Brother is responsible for delivering 11,770 tons of commodities to Kaliningrad, Moscow, Ufa, St. Petersburg and Chelyabinsk. The commodities being delivered consist of milk (26%), flour (26%), rice (22%), lentils (9%), butter oil (9%), vegetable oil (8%), and infant formula (1%). Aside from the Church, the St. Petersburg Food Bank also distributed for Brother's Brother, agreeing to dispense 1,768 tons of powdered milk to the St. Petersburg area.

Cargoes are shipped by Sea-Land from U.S. ports to Bremerhaven and then transloaded onto feeder vessels to St. Petersburg, Klaipeda, or Riga. Containers destined for Kaliningrad, which received about 7 percent of the total, were dropped in Klaipeda and trucked to Kaliningrad. Although it is only about a day's journey between the two ports, containers were often held at Bremerhaven to gather enough of them to make the drop at Klaipeda less costly. This practice sometimes added two weeks to the shipping schedule. Although Kaliningrad is a moderately large port, it has been closed to commercial traffic due to its past military role. City officials hope to open the port to commercial traffic by early next year.

Cargoes destined for Chelyabinsk were also held in Bremerhaven until enough containers were gathered to make up a block train in St. Petersburg. Again, this practice delayed delivery of cargoes somewhat. About 70 containers are normally used for these block trains, and with 2,068 tons being delivered here (18 percent of the total BBF tonnage), 3 or 4 trains are being used. The trip from St. Petersburg to Chelyabinsk takes 3 to 4 days.

Cargoes for Ufa (14 percent of total) were trucked rather than railed. Sea-Land used their own containers for shipments to Ufa and Chelyabinsk. Concerned about having the containers returned, they chose to use block trains to Chelyabinsk and trucks to Ufa, which is somewhat closer to St. Petersburg. The distance between Ufa and Chelyabinsk is 386 kilometers or 240 miles.

Shipments to Moscow are generally the easiest and most expeditious. It is normally a day's journey from St. Petersburg to Moscow over relatively good roads. Some backup has occurred at warehouses during the peak delivery times (Moscow received 47 percent of the total), but this was due in part to the problem of unloading 55- gallon drums of butteroil which were stacked two high. Some warehouses were not equipped with forklifts to handle these particular loads, so unloading took much longer than normal.

Because of its proximity to the port, shipments to St. Petersburg should have been the easiest but proved the most difficult. The Food Bank was unable to secure adequate warehousing for

the volume of powdered milk (1,768 tons) it was to receive. The milk will most likely be reconsigned to the Russian Orthodox Church.

Through rates to destination city were as follows: St. Petersburg $244 per ton, Moscow $309 per ton, Ufa $425 per ton (trucked), and Chelyabinsk $333 per ton (railed).

St. Petersburg food bank warehouse (left to right, facing are: Congressman Jim Leach (IA), and Senators Bill Bradley (NJ) and Bob Kerry (NE)).

Cooperative for American Relief Everywhere (CARE)

CARE is responsible for delivering 18,500 tons of commodities, 35 percent of the total to be delivered to Western Russia. The shipments consist mainly of flour (82%), but also include beans (8%), milk (5%), and vegetable oil (5%). Destination cities are Chelyabinsk and Ekaterinburg, two cities also served by ADRA.

All CARE commodities are shipped to Ekaterinburg initially using block trains with 60 to 80 containers carried per train. Containers are loaded on 40-foot (two containers) or 60-foot (three containers) flatcars and the train is assembled in St. Petersburg or Riga. The trip takes approximately 3 days and the flatcars are delivered directly to warehouse doors. Every other container is first removed at the Ekaterinburg rail switching yard, so that forklifts can access the container doors when it arrives at the warehouse. The cargoes are not palletized in order to make use of as much cubic space as possible in the container. Once the container doors are opened, laborers (usually young military enlistees) place the bags or boxes of food on skids and forklifts move the loads into the warehouse. An entire train may be easily unloaded in 3 days using this method.

Although Sea-Land will be responsible for the first five trains to Ekaterinburg, Lykes will carry the remaining 68 percent of the CARE cargoes and will be using block trains as well. Because Lykes normally ships breakbulk, it has few of its own containers. While it will be delivering shipments in containers to Antwerp, it will be restuffing the contents into Morflot (the former Soviet maritime agency) containers. Restuffing will add to the costs but Lykes may recover some of the extra expense by using the (presumably) cheaper Morflot containers. Lykes plans to tranship the containers to St. Petersburg and form block trains there for delivery to Ekaterinburg.

The through rate to Ekaterinburg was $409 per ton for Sea-Land and $209 per ton for Lykes.

Containers being unloaded from a rail flatcar at the CARE warehouse in Ekatinerinburg.

CitiHope International

CitiHope is responsible for delivering 3,500 tons of commodities to several localities located near Brest, Gomel and Minsk in Byelorussia. The shipments consist of flour (43%), rice (27%), vegetable oil (14%), infant formula (10%), and milk (6%).

Two Lykes vessels arrived on May 22 and May 29 with breakbulk shipments and reloaded the commodities into rail cars for delivery to local cities. Unlike every other PVO, Citihope repackaged the USDA commodities in the United States into "family packs" in order to be ready to distribute immediately upon arrival at the destination city. Each trainload will take about a week to travel from Bremerhaven to cities in Byelorussia.

The rate charged to Byelorussian cities averaged $308 per ton.

Russian Transportation Services

Ports

With 61 percent of cargoes moving through St. Petersburg, the port experienced moderate difficulty handling the throughput. Although the port is not efficient by Western standards, it has fairly modern container handling equipment and good container management practices. Better container management is hampered by a computer system which can only track about half of the containers in the yard at any one time. The yard is small and the type of straddle carriers used only allow for stacking containers two high. Security is somewhat of a problem but no USDA containers experienced pilferage while at port. Reports of congestion at the port have probably been exaggerated but the facility is constrained from handling traffic efficiently at times.

Container straddle carrier at the St. Petersburg container yard.

Riga and Klaipeda are probably the best alternatives to St. Petersburg for carriers if congestion or costs are a factor. Transit from those ports into Russia appears to pose no problem. The opening of Kaliningrad next year to commercial traffic should offer yet another alternative, especially to Byelorussian cities.

Ocean Carriers

Sea-Land has more of a history of dealing with Russian transportation operations than Lykes, the only two carriers participating in these humanitarian aid shipments. Sea-Land has been actively working with the Ministry of Railroads on the Trans-Siberian Railroad for nearly 3 years and has access to a substantial number of flatcars to form block trains. The company also is

more of a container carrier than Lykes, and containers were often requested by PVO's because of the security factor.

Although Lykes has less experience in Russia than Sea-Land, the company has been aggressively pursuing this traffic. They landed the initial the AJJDC cargoes, and delivered the ADRA and CitiHope cargoes to Bremerhaven. Those cargoes were all breakbulk shipments, but the new CARE deliveries to the Urals in containers should give them experience in block train and container delivery in Russia.

Freight Forwarders

Soyuzvneshtrans was once the monopoly freight forwarder of the Soviet Union, but now they are having to compete with new freight forwarders establishing themselves in Russia. Sovmortrans is the agent for Sea-Land and arranged both trucking and block trains for the PVOs. Benson did the forwarding for AJJDC to Moscow and St. Petersburg and Kuhne and Nagle designed a good plan for the ADRA truck movement to the Urals. All forwarders are doing a respectable job of arranging trucking and clearing cargoes through the various customs points.

Trucking

Overall, the availability of trucks has not been a problem, nor have supplies of diesel fuel. Fuel has been reported to be in short supply at State-level ruble prices, but seems to be more plentiful if one has hard currency. The PVOs were paid in hard currency and therefore hard currency was available to the participating carriers if they needed it for fuel purchases.

It was also helpful that none of the food aid required refrigeration. It is much more difficult to arrange for refrigerated trucking services within Russia because of an acute shortage of equipment.

Typical truck unit which can carry up to 23 tons.

Railroads

For all the publicity that the Russian railroad has been receiving for its failure to deliver food within the Federation, their service was relatively good. In many cases and especially to the Urals, the rail service is performing better than the motor carrier services. Their success is primarily due to the use of block trains in all movements. Individual rail car moves require closer monitoring, which is more difficult than tracking the movement of a block train.

The ADRA truck shipments might have been more successful using the rail block train method. Even if some of the smaller cities in the Urals did not have good rail service, the cargoes could have been shipped to Chelyabinsk or Ekaterinburg and moved to the other cities by local trucks. This service would have probably been faster, more organized, and cheaper.

Transport Rates

The rates listed below do not offer enough information on city pairs to make modal cost comparisons but some inferences can be made from the data. The ADRA shipments could probably have been done more efficiently using block trains out of St. Petersburg or another Baltic port. Also, some experience with the transport system and better knowledge of costs and rates allowed Lykes (L) to offer a cheaper rate than Sea-Land (S) for the remaining CARE cargoes (see table below). Other than that, the rates may offer some guidance to humanitarian aid efforts in the future.

To Ural locations:

PVO	Rate	Mode	Origin	Destination
ADRA	$483	Truck	Bremen	Ural cities
CARE	$409	Rail	St. Petersburg	Ekaterinburg (S)
CARE	$209	Rail	St. Petersburg	Ekaterinburg (L)
BroB'	$425	Truck	St. Petersburg	Ufa
BroB'	$333	Rail	St. Petersburg	Chelyabinsk

To other locations:

PVO	Rate	Mode	Origin	Destination
BroB'	$224	Ocean	U.S.	St. Petersburg
AJJDC	$258	Ocean	U.S.	St. Petersburg
AJJDC	$195	Truck	Bremen	St. Petersburg
BroB'	$309	Truck	St. Petersburg	Moscow
CitH	$308	Truck	Bremen	Byelorussia

Source: Agricultural Stabilization and Conservation Service, USDA

Warehousing

Russia does not seem to lack for solid and secure dry storage. All the warehouses visited (mostly government operated) appeared to be very well organized, and good accounts were kept of all commodities in storage. Most warehouses stored much more valuable goods than those provided in the humanitarian food shipments. Sugar, canned meat, fruit juices and other goods were stored in the same rooms as USDA commodities.

Skip Brown (ASCS) and Mary Chambliss (FAS) inspect a Brother's Brother warehouse in Moscow.

Some warehouses lacked good access to all floors and in one instance 100-pound sacks of flour had to be carried by hand up two flights of very narrow stairs. Narrow doors, platforms not level with truck beds, and lack of forklifts were other problems encountered. PVO familiarity with warehouse availability and an appreciation for desirable warehouse features should eliminate some of these problems in the future.

Packaging

Individual 5-pound sacks of flour remained intact more often when they were wrapped together with plastic rather than brown paper. Containerization kept damage to a minimum, however. Vegetable oil in 5-gallon metal containers showed leakage on arrival, but probably less than 1 percent were damaged. Even with some damage evident, most of the products in the containers could be salvaged.

Butter oil in 55-gallon drums were also a problem. Often they were stacked two-high in

containers and some warehouses lacked forklifts to remove the top layer. In any case, the drums were difficult to move and required spigots from the United States in order to dispense the oil to recipients.

Minor damage occurred to some products.

Labor/Military

The use of young military enlistees to unload trucks and containers was very often used by PVOs. Although there is growing unemployment, there does not yet exist the same day-labor pools that are common to many U.S. cities. The military is frequently used in Russia to provide assistance harvesting crops and distributing food, so their use to assist in the distribution of humanitarian aid shipments was not unusual.

The military was frequently used to unload shipments.

Customs and Health Clearance

Generally, customs and health clearances were not a problem at border points, except for St. Petersburg. There the veterinary clearance checkpoint took issue with the format and substance of the USDA veterinary certification for milk and butter oil. Although no cargoes were held for any significant amount of time, it took the intercession of the Russian Veterinary Service in Moscow to enable the cargoes release. A new format is being developed and more information will be provided.

Surveyors

Most cargo surveyors hired by the USDA to make a count of shipments arriving and assess damage, generally performed their function as expected. There were instances, however, where surveyors did not appear at all and other times when they lacked the staff to adequately cover all unloading operations. PVOs who reported these instances documented them.

There was also some confusion about the role of the surveyor. In some instances, the receivers (PVOs) felt the surveyor should have shared the report with them or believed the surveyor was contracted to work for them rather than act as an independent reporter to USDA for purposes of future claims.

Russian Humanitarian Commission

The Russian Commission on Foreign Humanitarian Aid Utilization was created to operate as a liaison to foreign governments providing aid to the Russian Federation. It also can serve a more operational role as a monitizer or seller of foreign goods, the proceeds of which would be used for humanitarian purposes. In terms of the USDA food shipments, the Commission serves as an intermediary to Russian Federation ministries which deal with security, transportation, customs, health, and other government functions that might concern the humanitarian food shipments. The Commission also arranged for visa support for USDA personnel supporting humanitarian efforts. The Commission was effective in acting as intermediaries between the Russian ministries and USDA and helpful to USDA personnel generally.

Communications

One of the largest problems the PVOs faced was obtaining good information concerning which containers would be arriving and at what time. Normally, the U.S.-based freight forwarder working for the PVO, or the PVO headquarters in the United States, could have provided the PVO based in Russia with the manifest of the vessel carrying the shipment. The transshipment through Bremerhaven by Sea-Land made the use of the U.S. manifest impractical. Parts of shipments were often held at Bremerhaven for good reason and it was only the Sea-Land office in Moscow which had the information on what would be coming into St. Petersburg or other ports. It took a while to establish an effective system of providing container numbers and contents to PVOs. Even then, PVOs were only advised a day or two before shipments arrived at port.

There was also a problem of determining when containers would arrive at warehouses initially, but regular reporting by Sea-Land of the dispatch schedule for trucks out of St. Petersburg effectively solved that problem.

There was less of a problem with Lykes Lines because they generally shipped directly to ports and the arrival date of the shipments was much more predictable. Lykes will be transshipping CARE containers through Antwerp in the future, so there may arise some confusion concerning container arrival times for this carrier also.

USDA provided a weekly summary of tonnages shipped from the United States for each PVO. This summary was very helpful to PVOs to inform them in general terms what they could expect for cargoes in the weeks ahead. Because it generally reported shipments of 200 tons or more (about 10 container loads), the reports were not useful for the PVOs to determine which containers would be arriving or to know the specific tonnages in those containers.

The PVOs themselves could have provided better information to their Russian-based staffs. Often the U.S.-based PVO had transportation information, or had access to it, but it was not passed to the staff in Russia. This was more often the case for PVOs who had less experience with food distribution programs, but it also was evident among the more experienced PVOs. The food program in Russia was new to all PVOs and few established good transportation information systems.

Effect on Russian Food Distribution Sector

It might seem unlikely that humanitarian food assistance would foster greater reliance on the free market system, but that was one of the positive results of the program. Because food aid shipments rely primarily on the private sector, i.e., ocean carriers and PVOs, to deliver the donated products, Russian freight forwarders, warehouses, trucking companies, and the railroad, all had to respond as private entities in order to attract the new business. The Russian government did not take part in the actual distribution of the food aid.

In the past, the Soviet government ordered needed commodities from foreign sources and then arranged to have the products shipped and distributed through government-controlled carriers, warehouses, and shops. Russia still uses the same system when it imports commodities today because a more market-oriented system is only beginning to develop.

The shipment of over 100,000 tons of food from the United States caused both quasi-government operations (e.g. warehousing) and new private companies (e.g. freight forwarders) to seek this new business. The U.S. ocean carriers and PVOs, both largely new to doing business in Russia, made a substantial number of private agreements in Russia in order to secure the support services they needed. In doing so, many sectors which had very limited exposure to market systems prior to the food aid became more acquainted with standard business procedures and learned that good service has its rewards.

U.S. Ocean Carriers Benefit

For the U.S. liner companies, Sea-Land and Lykes, the food aid offered them a unique opportunity to operate in a new environment. Sea-Land had gained some experience in Russia already from its joint effort with the Ministry of Railroads to improve the Trans-Siberian Railway service. The company had very little experience moving products within the country, however, and the shipments to the Urals and other parts of Russia will help the firm establish better commercial service in the future. Sea-Land was also able to provide weekly sailings to St. Petersburg because of the food aid traffic, up from biweekly service before the aid. Increased sailing means more commercial business because shippers look for the most frequent and expeditious liner services. Lykes had no experience in Russia and gained much from providing a new service to a new area with a guaranteed traffic base. For both companies, learning which companies to deal with in Russia and learning how to competitively price may prove to be the hidden profit in providing service for the food assistance.

Russian Private Sector Stimulated

As stated previously, USDA operated the food assistance program by contracting with private volunteer organizations to distribute the food in Russia. The PVOs then contracted with Sea-Land and Lykes to provide ocean carriage on a through bill of lading. This meant that the ocean carrier had the responsibility to provide service up to the PVO-designated warehouse. In order to do this, Sea-Land and Lykes had to set up separate contracts or agreements with Russian ports, freight forwarders, truck companies, and the railroad.

St. Petersburg, which now operates as a private entity, had to price and deliver their port services in a competitive manner or lose the business to Baltic or German ports. Where only one freight forwarder (Soyuzvneshtrans) previously existed for all Soviet republics, at least three new private sector freight forwarders were formed to deal with the food aid shipments. Benson Forwarders and Kuhne and Nagle were two companies which established offices in Russia to manage the new business and Sea-Land arranged a joint venture with a Russian-based forwarder, Sovmortrans, to assist with their new traffic.

The freight forwarders task was to ensure that the traffic moved from port to warehouse. Those firms, then, had to contract with private trucking companies or the railroad within Russia for that service. The railroad, formerly a monopoly with virtually no competition, had to price its services competitively and develop new services, like block trains, in order to compete with the truck companies. New Russian trucking services also benefited from the experience and the unexpected revenue.

PVOs needed warehouses in order to store their commodities initially and, in many cases, had to contract with repackaging facilities to break down the larger bags and boxes into "family packs." Warehouses and repacking facilities, traditionally government-run operations, had to competitively price their services and reorganize their operations to deal with the more market-oriented demands for those services.

By all accounts, the newly emerging private sector worked very well. The ocean carriers determined which ports and freight forwarders would best meet their needs and had several options from which to select. Freight forwarders, in turn, selected the best mix of rail and truck services. PVOs chose the warehousing and repacking facilities they needed. Each enterprise in the transportation chain gained financially from the food shipments and had the unique experience of performing in a market-based system.

Private sector activity in the Urals; repackaging powdered milk.

Recommendations/Conclusions

If a humanitarian food aid program is again offered to the Russian Federation or other former Soviet republics the following are suggested:

- A food assistance program in which the private sector takes the responsibility for food distribution works very well and encourages the Russian market-oriented distribution system. It should be the preferred method again.

- The system of using through bills of lading should again be used. The ocean carrier is made responsible for delivering the cargo to a final destination (warehouse door). The carrier is then encouraged to plan its logistics more comprehensively. This practice minimizes congestion at ports, helps reduce costs, and decreases instances of claim disputes.

- Carriers should be allowed to use the most cost-effective ports (no ports should be specified in shipping tenders) and carriers, rather than PVOs, could select the best warehousing to enable less expensive delivery.

- A reliable system to communicate transportation information (container arrival dates, commodity tonnages, and container reference numbers) is absolutely essential and should be established as soon as PVOs and carriers are identified for the program.

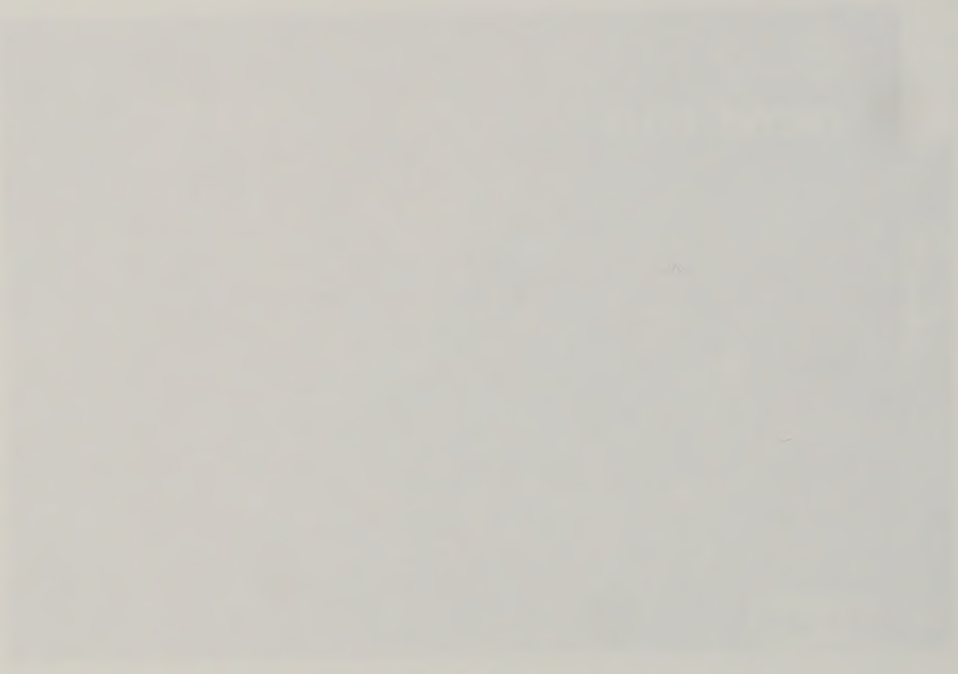
- Greater use can be made of the Baltic ports Riga and Klaipeda if St. Petersburg becomes too costly or too congested.

- An assessment of port operations at St. Petersburg should be undertaken by USDA to determine the reasons for congestion and make recommendations to improve its service. Improvements would facilitate both commercial and humanitarian shipments.

- During the initial stages of setting up the humanitarian aid program with the Russian government, there is a need to address the issue of health certification and obtain an agreement on the specific type of certifications that will be required.

- Use of the military for labor and transport should be granted to PVOs in the agreements. It can be specified that the military will not be in control of the disposition of the commodity.

U.S. CARE program director with Russian warehouse managers.



USDA ■ AGRICULTURAL MARKETING SERVICE
Transportation and Marketing Division
International Transportation Branch

14th & Independence Ave., S.W., Room 1217
Washington, D.C. 20250
Tel: (202) 690-1304
Fax: (202) 690-1340